

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

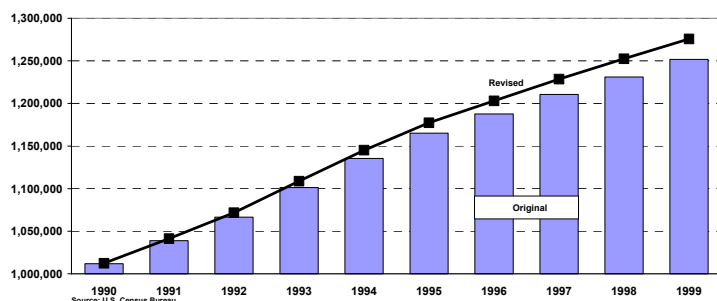
STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

May 2002 VOLUME XXIII NO. 11

Does it seem you are spending more time in lines at the supermarket, bank, and dry cleaners? There is a good chance you are, at least if you live in Idaho. This is because the Gem State became a bit more crowded during the previous decade. According to the U.S. Census Bureau, Idaho's population expanded an astounding 28.5% from 1990 to 2000. (Idaho was the nation's 5th fastest growing state.) This growth reflects the influx of new residents into the state during the 1990s. This was a significant reversal from the 1980s, where the exodus of residents held the state's total population growth to just under 7.0%.

Idaho Population Estimates



If this strong growth caught you by surprise, you are in good company. Even the U.S. Census Bureau underestimated the state's population gain. The federal government does a census every decade to get an actual count of its population. In other years, the state's population is estimated based on local data, such as vital statistics. Without an actual count, it is impossible to calculate the accuracy of these estimates. However, when a census is complete, it provides an actual ending point that provides a benchmark for the estimates. The estimates for the decade are then revised so they fall on a line between the previous and most recent censuses.

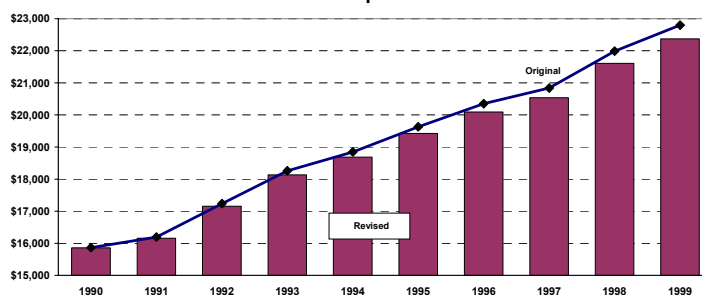
In the case of Idaho, this analysis revealed the original population estimates for 1991 through 1999 were too conservative. Specifically, the original estimates showed that through 1999, the Gem State's population had increased 24.3%. While this is strong, it underestimates the state's actual growth. In order to achieve the 28.5% growth from the 1990 to 2000 censuses, the state had to be growing faster in the intervening years. Because of this, the U.S.

Census Bureau has raised its population estimates for the 1990s. The original and revised estimates are included in the accompanying chart.

The chart clearly shows that each year's estimate has been revised upwards. The chart also shows the gap between the original and revised estimates widened over time. Specifically, the revised estimate for 1991 is just 0.2% higher than the original estimate. But by 1999, the gap grew almost tenfold to 1.9%. This is very common because estimates tend to become less reliable the further away they are from the last actual data point.

The revised Idaho population data have implications that go beyond bragging rights for being one of the nation's fastest growing states. Ironically, the stronger population growth actually lowers the estimates for Idaho nominal per capita income. Since per capita income is simply the ratio of income to population, the revised population estimate means the same level of income must be spread over more Idahoans. Estimates based on the most current personal income data and the original population estimates show Idaho per capita income rose from \$15,866 in 1990 to \$22,799 in 1999. When the per capita I calculated by replacing the original population with the revised data, it shows per capita income rose to just \$22,371 by the end of the last decade. The difference between this and the \$22,799 mentioned earlier is due to the change in population.

Idaho Per Capita Income



So the next time you hear someone complains about crowds, you know the reason and can explain it. Of course, as many economists will tell you, attempting to do this is the best way to clear a room. Crowd gone; problem solved.

A Review of the U.S. Economy by Andrew Hodge

Presented by the Boise Metro Chamber of Commerce and the Western States Economic Summit. You are invited to join us for this rare opportunity to hear one of the nation's leading economic experts present his views on the economy. Mr. Hodge is an economist with DRI*WEFA, where he is responsible for producing monthly U.S. and Canadian Macroeconomic forecasts. He is a regular contributor to national broadcast and print media.

The luncheon will start at noon June 17, 2002 at the Owyhee Plaza Hotel. Cost is \$25.00 and reservations can be made with the Boise Metro Chamber of Commerce (On the WEB at www.boisechamber.org or by calling Connie Whitmarch at 472-5231 or Shirl Boyce at 472-5230.) Due to limited seating, early registration is encouraged.

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General Fund Update

As of April 30, 2001

<u>Revenue Source</u>	\$ Millions		
	FY02 Executive Estimate ³	DFM Predicted to Date	Actual Accrued to Date
Individual Income Tax	940.2	856.5	763.8
Corporate Income Tax	93.4	69.5	61.7
Sales Tax	659.4	548.3	547.3
Product Taxes ¹	20.6	17.2	17.4
Miscellaneous	110.6	55.2	56.1
TOTAL GENERAL FUND²	1,824.2	1,546.7	1,446.4

¹ Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
² May not total due to rounding
³ Revised Estimate as of January 2002

General Fund revenue was \$63.6 million lower than expected in April. Over 92% of April's shortage (\$58.9 million) is due to weakness in the Individual Income Tax. The same is true of fiscal year to date revenue weakness – the year to date General Fund shortfall of \$100.3 million is dominated by a \$92.7 million (10.8%) shortfall in the Individual Income Tax. Corporate Income Tax revenue is off by a similar percentage (-11.2%), but the magnitude is much smaller at only \$7.8 million less than expected. All other revenue categories are very close to their expected levels.

Individual Income Tax (IIT) collections are at the root of Idaho's current fiscal problems. April's shortfall of \$58.9 million is dominated by a shortage of \$58.9 million in filing payments, but also includes \$4.8 million in withholding payments shortfall. An offset to this collection weakness occurred in the form of refunds that were \$4.5 million lower than expected and miscellaneous distributions that were \$0.3 million lower than expected. The fiscal year to date results for the IIT are similar: filing payments are \$70.8 million lower than expected, withholding payments are \$30.3 million lower than expected, and refunds and other diversions are \$8.5 million lower than expected. Net Individual Income Tax collections through April are \$163.2 million lower than the same period last year. This is a 17.6% decrease, but approximately 10.5 percentage points is due to the combined direct and indirect impact of tax law changes passed in the 2001 legislative session. Without those impacts the

decline in IIT would have been approximately 7.0%. By comparison, this year's IIT collections through April in our three neighboring states with income taxes were down even further, -7.6% in Utah, -9.4% in Oregon, and -10.6% in Montana. Meanwhile, California is off the chart with a 25.2 percent year-over-year decline in its IIT through April. None of these states had material tax law changes.

Corporate Income Tax revenue was \$1.2 million lower than expected in April, bringing the year to date shortfall to \$7.8 million. On a year over year basis this category is down \$64.8 million, a decline of 51.2%. The FY 2002 Corporate Income Tax forecast calls for a decline of 34%.

Sales Tax collections were \$0.6 million lower than expected in April. The year to date shortfall is now \$1.0 million, a variance of just 0.2%.

Product taxes were exactly on target in April, and the miscellaneous category was \$1.3 million below the target for April. An additional \$1.7 million was removed from the miscellaneous category in April to correct for transfers that were inadvertently included in February and March actual revenues.